

# Vendor Management Lifecycle and How to Manage It



Reliable vendor relationships are crucial to generating value as well as savings for both procurement teams and the organizations they support.

Every supplier in your company's supply chain has a lifecycle, from initial review and onboarding to the termination of their contract—and every supplier relationship presents your team with opportunities to reduce vendor risk, save money, build value, and establish lasting partnerships that can blossom into opportunities for shared prosperity, growth, and innovation.

Such relationships, however, rarely blossom on their own. The *vendor management lifecycle* (also called *supplier management lifecycle*) is an essential part of minimizing risk exposure, achieving optimal contract management, and monitoring supplier performance while simultaneously searching for opportunities to improve it.

## What is the Vendor Management

# Lifecycle?

The vendor management lifecycle is used to monitor suppliers for optimal performance, compliance, and transparency throughout their time in your supply chain.

The act of managing the lifecycle of each vendor during their time under contract may be referred to as *vendor lifecycle management* (or sometimes *supplier lifecycle management*), whereas the vendor management lifecycle is used to describe the specific processes for managing all vendors across their time in the supply chain.

The terms may be used interchangeably by many, but it's worth noting the important distinction between the two to avoid needless confusion.

Regardless, the vendor management lifecycle is designed to center vendors as a crucial component of:

- Supplier Relationship Management
- Contract Management
- Process Improvement
- Your Overall Procurement Strategy

No two businesses will create identical vendor management systems, but for many, the vendor management lifecycle will cover eight distinct but interrelated activities:

1. Vendor Identification and Contact
2. Vendor Qualification (Including Risk Mitigation)
3. Vendor Review and Selection
4. Vendor Onboarding
5. Vendor Performance Management
6. Vendor Risk Management
7. Vendor Relationship Management
8. Vendor Offboarding

## Vendor Management Lifecycle

1 Vendor Identification and Contact



2 Vendor Qualification (including Risk Mitigation)



3 Vendor Review and Selection



4 Vendor Onboarding



5 Vendor Performance



6 Vendor Risk Management



7 Vendor Relationship



8 Vendor Offboarding



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These eight processes occur over the course of three stages in the vendor lifecycle:

## Needs Identification and Solicitation (Pre-Contract Phase)

Buyers release *requests for proposal* (RFPs), *requests for quotation* (RFQs), *invitations to bid* (ITB), etc. to engage with vendors interested in fulfilling the needs specified.

From the bids submitted, a chosen handful of potential suppliers is chosen and qualified through due diligence, wherein vendors provide additional confidential information for confirmation by the buyer.

Considerations include price, performance history, reputation, and compliance history, as well as any extenuating or mitigating circumstances particular to the client that do not otherwise inhibit their ability to fulfill the buyer's expectations for quality, price, terms, and service.

## Onboarding, Contract, and Vendor Management Phase

Suppliers who make it through the due diligence for selection move into the onboarding and contract phase.

The goal at the beginning of this phase in the vendor lifecycle is to collect as much detailed information as possible in order to ensure contractual accuracy and provide multidimensional data useful in monitoring and analyzing vendor performance and compliance over the course of their contract.

The more information is collected and securely stored, the easier contract management, vendor risk management, third-party risk management, and supplier relationship management (all conducted during this phase) will be.

Establishing and monitoring key performance indicators (KPIs) for vendor compliance *and* performance ensures your team can react in a timely fashion (and develop and execute any necessary contingencies beforehand) to prevent supply chain disruptions or unacceptable third-party risk exposure.

In addition, such monitoring can help both parties identify and leverage opportunities they might not have detected otherwise, allowing for shared initiatives for growth, penetration into new markets, or the development of additional production refinements and new products.

## **Post-Contract Phase**

Depending on the role played by a particular vendor in your supply chain, the post-contract phase may be pretty straightforward. Contingency, short-term, or low-performing vendors can be offboarded with minimal fuss.

However, for those vendors with contracts that are large, longstanding, complex, high-dollar, or all four, the offboarding process requires more time and attention.

At the offboarding stage, the contract is reviewed carefully to ensure all contractual obligations have been met.

Additional obligations, such as service agreements and warranties extending beyond the life of the contract, are also reviewed and recorded for monitoring in the system.

Once contract verification is complete, vendor offboarding can be completed, usually with the help of a vendor offboarding checklist.

A sample offboarding checklist might include items such as:

- Routing of contract termination information to all relevant stakeholders
- Capture and documentation of confirmations that the vendor complied with all relevant laws, industry standards, and buyer stipulations over the course of the contract.
- Removal of vendor access to physical and virtual assets and systems.
- Final payment confirmation, along with confirmed suspension of any additional payments beyond those specified by post-contract stipulations.
- Complete documentation of vendor evaluations by procurement team, as well as any contextual information related to the termination of the contract, e.g. did the vendor meet the terms of the contract but create reputational risk? Were there interpersonal issues involved? Did the vendor meet the terms of the agreement, but fail to generate the savings or value projected?

*Across all three stages and throughout all eight processes of the vendor management lifecycle, access to tools like advanced artificial intelligence (AI), process automation, and vendor data management radically amplify efficiency, accuracy, and completeness.*

## **Vendor Management Lifecycle Best Practices**

Every vendor management system benefits from a few simple, but powerfully effective, best practices.

### **Emphasize Communication and Collaboration**

Clearly expressed requirements and expectations go a long way in preventing costly misunderstandings. Providing context for these requirements will also help your suppliers feel more engaged.

A collaborative approach turns transactions into opportunities for additional innovation and value creation, and leaves your vendors better positioned to take the long view as you set benchmarks for your mutual success.

## **Set—and Use!—KPIs**

It's tough to understand or evaluate what you can't measure.

Establishing your company's acceptable performance and compliance levels, and then monitoring each vendor's adherence to them, reduces risk, makes it easier to find and keep your best vendors, and reduce waste and expense while building value, growth, and savings.

## **Invest in Procurement Software**

The vendor management process is about supplier relationships at its heart. However, with digital transformation permeating every aspect of business process management, there's another aspect that's just as important to building value from vendor relationship management: the technology used to make it happen.

Across all three stages and throughout all eight processes of the vendor management lifecycle, access to tools like advanced artificial intelligence (AI), process automation, and vendor data management radically amplify efficiency, accuracy, and completeness.

Choosing a cloud-based procurement solution like PLANERGY puts these tools into the hands of your procurement team and allows you to take control of the entire vendor management lifecycle with confidence.

Consider the benefits:

- Stronger and more strategic sourcing requirements. Automated processes and complete data access and management make it much simpler for your procurement team to establish and enforce the standards vendors are required to meet in order to gain, and keep, your business. This applies not just to high-dollar, short-term projects with special vendors, but your "bread and butter" supply chain composed of both direct and indirect spend. As an added bonus, suppliers who perform exceptionally well in short-term capacities can easily be transferred to your main supply chain, because their data and performance/compliance history will already be in your vendor management system.
- Greatly simplified onboarding and offboarding thanks to process automation and information tools such as vendor portals, which allow for

self-service and minimize the need for human intervention while still ensuring data accuracy and completeness.

- Every scrap of vendor data is captured, organized, and instantly available to all stakeholders on demand, whether they're mobile or in the office. Real-time analytics make it possible to spot potential problems and activate emergency sourcing for production-critical materials *before* the supply chain fails.
- Data completeness and transparency also make it possible to track and analyze vendor compliance and performance data using KPIs at any stage, allowing you to rehabilitate underperforming vendors, trim bloat by eliminating redundant or consistently problematic ones, and adjust your agreements with your best suppliers for greater profits, performance, and shared success.
- Improved risk assessment, risk mitigation, and contract management thanks to comprehensive data control and transparency, which improve negotiating power and simplify processes such as contract creation and due diligence, as well as the monitoring of compliance to ancillary agreements such as service-level agreements (SLAs).
- AI-supported process automation transfers low-value and repetitive tasks like data entry, template population, and customer service requests (e.g., smart bots that answer questions or provide automated order updates) to software instead of staff. Your team can dedicate its time and talents to high-value, strategic work and still be able to jump in when needed.

## **Get More Value at Every Stage of the Vendor Lifecycle**

You count on your vendors to provide the goods and services your business needs to thrive, as well as the service, performance, and compliance you expect.

A proactive approach to the vendor management lifecycle will help your company build valuable, lasting relationships with your best suppliers, minimize your risk exposure, and maximize the value your procurement function generates with every dollar spent.

# What's your goal today?

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